WHAT THE HOUSING ACT CAN DO FOR *YOUR CITY*

UNITED STATES HOUSING AUTHORITY

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WHAT THE HOUSING ACT CAN DO FOR *YOUR CITY*

UNITED STATES DEPARTMENT OF THE INTERIOR

UNITED STATES HOUSING AUTHORITY

Nathan Straus, Administrator

Washington, D. C., 1938

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PREFACE

Within a few short years the movement for low-rent housing and slum clearance has taken firm root in America. Not so long ago it was simply the hope of a few scattered specialists. Even when Senator Wagner put in his first housing bill in 1935 the prospects for housing reform were both dim and distant. Today it is already an accepted part of the normal administrative responsibility of the Nation.

What brought about this rapid progress? Primarily, without doubt, the foresight of President Roosevelt, under whose leadership the Federal Government engaged in numerous valuable experiments in the housing field, and without whose active concern the Housing Act could hardly have become law.

In support of the President's initiative, and in recognition of the mounting array of facts about the nature and extent of the housing problem, the tide of public interest steadily deepened and broadened. To the voice of specialists and experts were added the insistent demands of labor and consumer organizations and local officials. The country wanted to see something done about the slums.

Nevertheless, when the United States Housing Act was passed one major question had still to be answered. Ours is a decentralized program in which the responsibility for carrying out housing programs rests *not* with the USHA but with the communities themselves. And national enthusiasm "in favor of" an idea does not necessarily imply willingness and ability on the part of local governments to undertake heavy responsibilities in a new field.

As I write this preface, the USHA program has been in operation for almost exactly one year. The program depends for success entirely on local partici-

pation, on official action by local governments, and informed support by citizens. What is the record?

The States have acted: New enabling legislation has been passed and old legislation has been perfected. Courts have upheld the constitutionality of State housing legislation. The cities have acted: There are today about five times as many local housing authorities as there were a year ago. All the stringent conditions set forth in the Housing Act are being successfully met by virtue of energetic work. Almost the entire amount of available funds has been earmarked. Loan contracts are being approved at the rate of $30,000,000 a month. About 5,000 dwellings per month are going under construction.

And citizens are supporting their own local housing and slum clearance programs, not merely with passive approval but also by study and real work.

This pamphlet is in fact the result of hundreds of specific requests received from individuals and organizations who are either working for the establishment of housing authorities, or endeavoring to understand and participate in their authority's work. Thousands of serious and very realistic questions have been asked us—questions which deserve honest and serious replies. It is hoped that this pamphlet will help interested citizens to answer three of the main questions about the public housing program . . . *What is it? Do we need it?* And, *how does it work?*

In a later pamphlet we expect to explain in simple terms some of the conclusions reached by Federal and local technicians with respect to such matters as site selection, community planning, dwelling design, and management.

NATHAN STRAUS, *Administrator,*
United States Housing Authority,
November 1, 1938.

I. Why Did Congress Create The USHA?

In 1937 Congress passed the United States Housing Act. For 3 years before that, one of the most important committees of Congress had held extensive hearings to determine whether this law was necessary. This committee was the Senate Committee on Education and Labor, and its unanimous report in favor of the law, a report which everyone ought to read, said:

"*There is no immediate aim of the American people . . . more widely supported and more insistently voiced than the desire to attack the social evils of the slums and to provide decent living quarters for . . . the underprivileged.*"

The broad objective of this law was to provide for American families who now live in slums the kind of homes worthy of the citizens of a free and wealthy Nation. This broad objective represented one of our oldest traditions as a people who have always put the home first. But in its details the law represented a new step, a new assumption of public responsibility, a new attitude. What are some of the *facts* which convinced Congress that housing has become a *national* problem? Why do slum clearance and decent housing for the lowest income groups require the highest cooperation of Federal, State, and local Governments, plus the intelligent support of the people themselves in their individual exercise of citizenship, just the same as defense, education, highways, health, and social security?

Slum conditions are nation-wide. Until a very few years ago the *facts* about housing conditions were so scattered and incomplete that no conclusions could be drawn from them. It was still generally assumed that every honest person willing to work would sooner or later be able to acquire one of the bright Dream Cottages of the advertising pages, and thus live happily ever after. But in 1933 the Department of Commerce made a Real Property Inventory, covering 64 cities in every State in the Union. A rural housing survey was made at the same time. The results of this painstaking effort shocked the country out of its easy optimism. It was conclusively shown that at least one-third of the homes of the Nation were definitely below any standard which could be accepted as "decent" or "American," and that at least one-tenth were dangerously unsafe. All of these substandard dwellings lacked the most elementary sanitary facilities and conveniences, or were so overcrowded as to threaten the treasured individuality of family life.

The interest aroused by this pioneer study caused a number of additional cities to undertake similar surveys with the aid of the WPA. Today figures are available for 204 localities, covering more than 5,000,000 residential buildings and more than 8,000,000 households, or more than half the urban families in the United States. Some of the more salient figures may be summarized as follows:

Structural condition.—About 1,100,000 homes (in 830,000 buildings) had such serious structural defects that they were unsafe or absolutely unfit for use.

Sanitary facilities.—1,661,000 homes, or about one-fifth of the total, had no private bathing facilities; 1,221,000 were without private indoor water closets.

Privacy and overcrowding.—About 850,000 families were "doubled up"—that is, shared their homes

with other families. Over 1,300,000 homes were "crowded"—that is, had more than one person per room.

It was disclosures such as these (which have since been reinforced by the National Health Survey, conducted by the United States Public Health Service in 83 typical cities) that quickened the public interest, long felt but never before fully expressed, in the social consequences of the slums. Cities made "spot maps" of cases of juvenile delinquency, crime, infant mortality, rickets, and T. B. and other communicable diseases. They compared the costs of police and health services in different areas. And the results were everywhere the same. The bad housing areas, the social problem areas, the areas of relatively high municipal costs and relatively low returns, were all practically identical. Proof became plentiful of what thoughtful people before had only guessed: That while the great majority of those who live in the slums are fine and desirable citizens, none the less when you plant an infant in sickening surroundings you make it harder for him to grow up strong. And when you lead children into a Dead End Street you increase the risk that some of them may not find a law-abiding way out.

These are some of the facts which led the Senate committee to say:

"*It is now a matter of general agreement that even before the depression commenced over 10,000,000 families in America, or more than 40,000,000 people, were subjected to housing conditions that did not adequately protect their health and safety.*"

Private builders alone are not able to supply decent homes for those who live in the slums. Here we get to the heart of the "housing problem." Careful ex-

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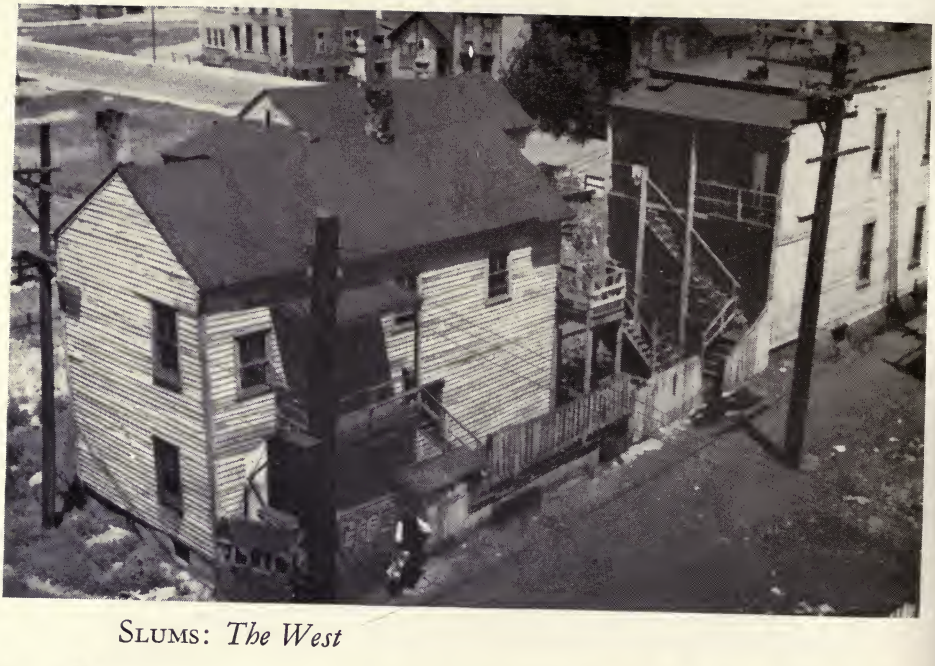

SLUMS: *The West*

W

SLUMS: *The Soutl*

LUMS: *The North*

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aminations have been made of the production by private enterprise of new homes at current costs and prices. These studies have been directed by economists, public officials, and businessmen—by liberals, radicals, and conservatives—and yet they have all come very close to the same answer. By and large, even in prosperous times, at least two-thirds of our total population cannot afford the rent or sales price of a decent new home, however modest. And for this reason, private enterprise cannot afford to build homes for their use.

Figures on a national basis must be used with care, because of the great variations between one city or region and another. But the following chart presents a picture that is fundamentally true.

The chart shows that in 28 representative cities, only about 8 percent of the dwellings constructed from 1929 to 1935, inclusive, were within reach of the 65 percent of families with annual incomes under $1,500. For these families, 3,579,773 in number, only 21,351 dwellings that they could afford to live in were built in 7 years.

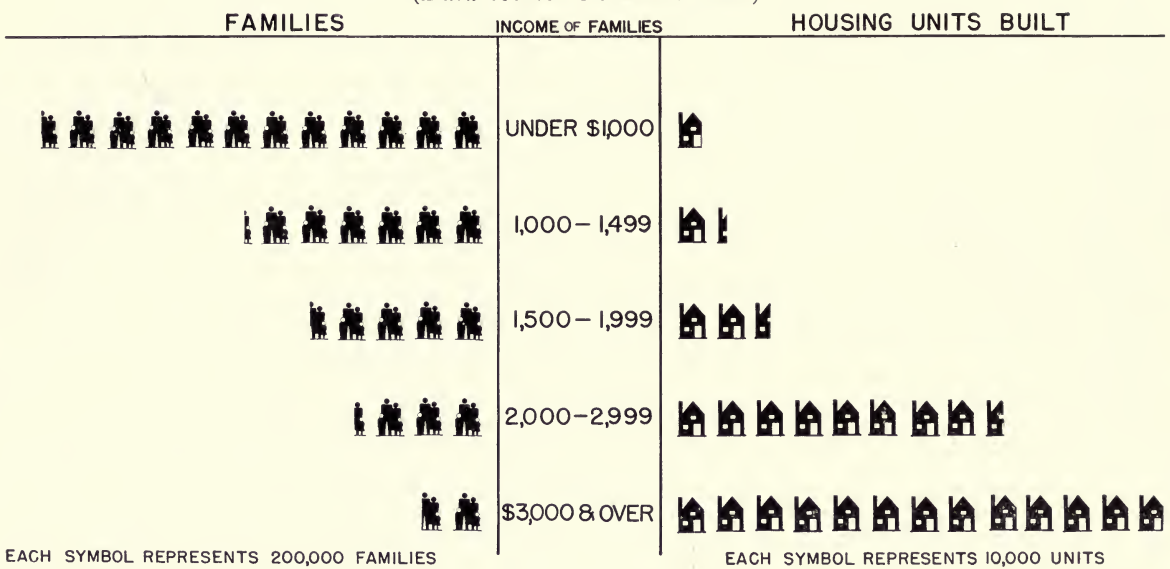
Consider the contradiction! A home is something which *everyone* needs. Its quality affects the very foundations of civilization. Its production should be the cornerstone of national prosperity. And yet the home-building business in America has become a "luxury trade," producing homes only for those in the upper income brackets.

Again there were *facts* to back up the Senate committee when it found that public housing offered no possible competition to private enterprise and when it said:

"The time has come · · · to help first those who need help most · · · the evidence is well-nigh over-

THE URBAN BULDING MARKET

(Data covers 28 selected cities)



SOURCES.—Family income distribution—derived from "Health Survey," 1935–36, U. S. Public Health Service, sample coverage. *Housing units built*—derived from "Building Permit Survey," Bureau of Labor Statistics. Covers 7-year period, 1929–1935. (Note that in many cities with building codes which are either inadequate or not enforced, building permit figures include considerable home construction which is substandard even though new.)

METHODS.—Building permit figures have been increased by 50 percent according to the usual rule of thumb, to arrive at an estimate of market value. It has further been assumed that a family can afford to live in a dwelling of value twice as great as the family income (i. e. a $2,000 house is assumed to be within reach of a family with $1,000 income).

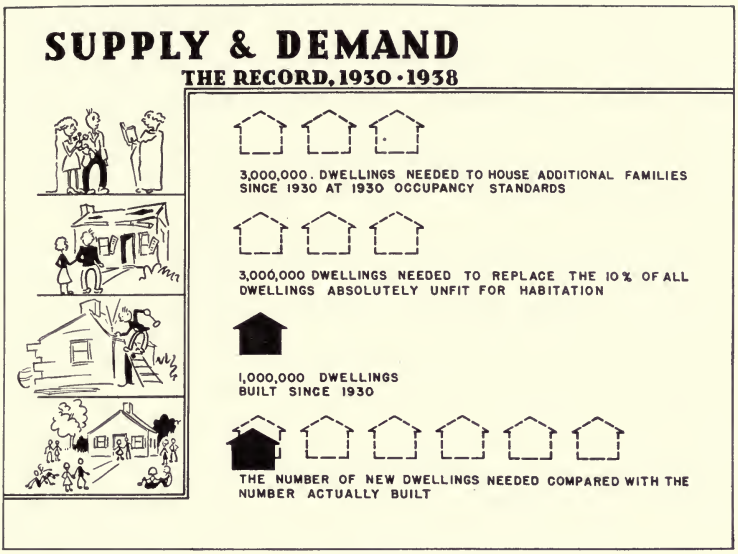
whelming that these groups will be overlooked if the Government does not play a reasonable part in their inclusion.''

The housing shortage grows more acute. If *enough* new dwellings were built, even if they were occupied at first only by the well-to-do, some gradual progress for all income groups of families would be at least theoretically possible. While the slums would still remain, some families in the very low income brackets might sift upward into slightly better quarters left vacant by more prosperous families.

But when builders do not construct as many new homes as there are additional families seeking separate dwellings, then the housing problem takes on emergency proportions.

In the Senate committee report a startling but authoritative forecast of this emergency was presented. Bringing this estimate up to date, in round numbers, it is found that more than 3,000,000 new dwellings would have been required merely to house additional families at the occupancy standard of 1930, without any allowance for demolition. But the number of dwellings built since 1930 is no more than 1,000,000—and several hundred thousand homes have probably been demolished in the same period. In addition, at least 10 percent of existing dwellings today are so unsafe and insanitary that they demand immediate closing, which adds more than 3,000,000 dwelling units to the country's present needs. And by 1950 the increase in families and the wearing out of existing homes will necessitate still another 10,000,000 dwellings.

In all, with about 16,000,000 new dwellings required by 1950, America needs to produce homes at the rate of more than a million a year. Yet building has been going on at only one-seventh this rate. It



NOTE.—1 *black* house indicates 1,000,000 dwellings built.
1 *outline* house indicates 1,000,000 dwellings needed.
SOURCES.—Estimates of need derived from report of the Senate Committee on Education and Labor, on the U. S. Housing Bill of 1937.
Estimates of new construction derived from Building Permit Data, Bureau of Labor Statistics.

has taken 7 whole years—from January 1931 to January 1938—to build a million homes. And in 1937, despite talk of a building boom, only 294,000 dwellings were constructed.

This dearth of new construction is resulting in an acute Nation-wide housing shortage. Figures collected by the Department of Commerce from door-to-door surveys made in 69 cities show that during the period 1930 to 1937, vacancies dropped from an average of 8 or 9 percent to about 2 or 3 percent. When the general vacancy ratio is this low, the number of decent homes available to families of moderate means is likely to approach zero.

And this is why the Senate committee said:

"*From all parts of the country today come reports of an impending housing crisis. Shortages are producing evic-*

tions and rapid increases in rents; rents increasing more rapidly than wages are forcing down standards of living, as less money is left available for food and clothing and the other necessities of life. Bad housing conditions are spreading and the iniquities of the slums are multiplying. Action must not be delayed."

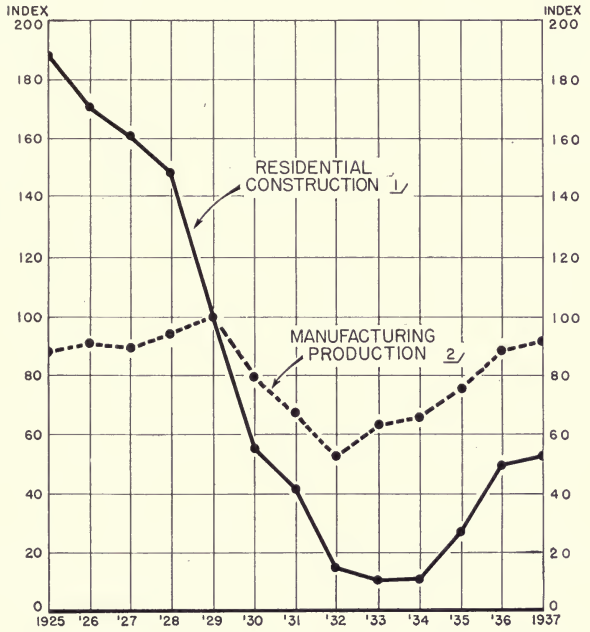
Unemployment of capital and labor in the building industry threatens national prosperity. There is today practical unanimity of opinion that building is a barometer of general business conditions. The health of the entire economic system is threatened so long as the construction industry remains sick. Speaking in 1938, Senator Robert F. Wagner, sponsor of the United States Housing Act, summarized common knowledge when he said: "The steep decline in home building beginning in 1925 was the forerunner of the depression. The decline in manufacturing production began in 1929, at the very time that residential construction fell below normal. When the upswing in residential construction beginning in 1934 practically stopped in 1937, the warnings of a new recession were at hand."

Today over a million building trades workers are jobless. Every time a man in this key trade goes back on the pay roll, the indirect effects travel immediately to dozens of other types of enterprise. The Senate committee recognized this condition when it said:

"*. . . the genuine development of quarters for people of low income . . . will remove one of the most serious forces now operating against complete economic recovery, and will introduce into that economic recovery a truly stabilizing influence.*"

Cities cannot solve the housing problem alone. East and West, North and South, cities large and small have for years felt the challenge and menace of the

COMPARISON OF RESIDENTIAL CONSTRUCTION AND MANUFACTURING PRODUCTION INDICES, 1929=100



SOURCES.—(1) "Volume of Residential Construction, 1920–37," Bureau of Labor Statistics, 1938. (2) "Survey of Current Business," Federal Reserve Board Index.

slums. Recent studies have shown that municipalities are spending many times as much per capita, *excluding relief costs*, in the slum areas as elsewhere. And every mayor and council knows full well that money and work and lives are wasted in a hopeless war against an ever-increasing evil so long as the slums remain.

But the best building codes, the wisest zoning regulations, and the most ambitious municipal condemnation and demolition programs can never do more than scratch the surface of the slum problem—unless new homes are built. Hampered by their limited taxing powers, their constitutional debt limitations,

and their inescapable obligations for other public services, the municipalities are powerless to finance public housing alone. Having struggled earnestly but unavailingly with the slums for half a century, the cities convinced Congress by the weight of *facts*, not that cities have no responsibility toward people in the slums, but rather that they cannot fulfill that responsibility without *national* aid.

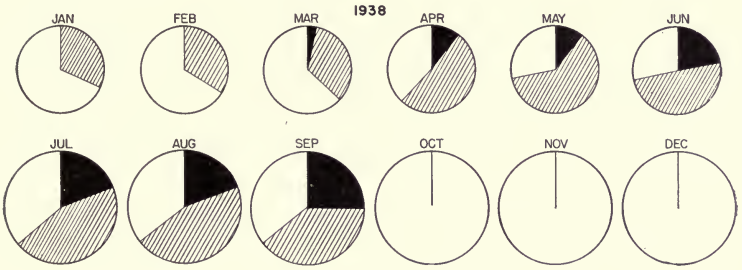
Every section of the country has felt the need for national aid to slum clearance and low-rent housing. During the long congressional hearings citizens in all walks of life marshalled their facts in support of the housing program—labor leaders desirous of increasing employment and improving labor's living conditions, doctors and criminologists interested in doing away with the slums because they aggravate disease and crime, businessmen who want to stimulate industry and to escape the costly tax burdens of extra police, fire, and health services in slum areas, and municipal officials anxious to stop pouring public funds into the bottomless pit of the slums.

Summarizing this wealth of evidence, the Senate committee said, and Congress agreed:

"*The long-range and carefully planned housing program . . . by stimulating the durable-goods industries, now lagging furthest behind in the recovery drive; and by facing the problem of technological unemployment . . . will create jobs in private industry for a large percentage of the men and women still idle and dependent upon public relief no matter how overwhelming their desire to earn a decent living in a normal way. And at a cost much cheaper than the terrible social and business toll of unhealthful housing—in terms of disease, crime, and maladjustment—it will provide better living quarters for millions who now dwell in dismal and insanitary surroundings.*"

RATE OF PROGRESS OF USHA COMMITMENTS

(*CUMULATIVE*)



January through June 1938: Each full circle represents the $500,000,000 authorization then available.

Beginning with July 1938: Each full circle represents the $800,000,000 authorization then available.

BLACK.—Loan contracts approved.

HATCHED.—Earmarkings outstanding.

WHITE.—Balance of authorization unallocated.

Congress was right! The moment Congress gave the signal, the USHA program got under way.

Local communities, eager to begin housing without delay, began to set up their authorities at the rate of 20 a month, under laws in 33 States enabling the cities to take this action. Within 10 months there were about 200 of these local agencies, and two-thirds of them had received earmarkings of funds. New loan contracts signed soon rose to the fairly constant level of about $50,000,000 a month. Day by day the work of demolishing substandard areas, awarding building contracts and beginning construction took on Nation-wide momentum.

Many new developments promised well for the future of the low-rent housing program. Nine State Supreme Courts handed down favorable decisions on the constitutionality of State housing legislation. The building trades unions passed resolutions to cooperate with the local housing authorities in guaran-

teeing construction schedules. Almost overnight, the USHA program became front page news in hundreds of cities and towns. Housing and slum clearance developed into a local issue of major importance. At public meetings, in union halls and business offices, across the dinner table and on the street corner, public-spirited citizens discussed methods of using the USHA to best advantage.

II. What Is the USHA Plan?

The United States Housing Authority is the first permanent public agency created by Congress to rehouse families who live in the slums and nobody else. The statute under which it operates is the first full-fledged recognition in the United States of the ultimate responsibility of our civilization to provide decent homes for all our citizens. The United States Housing Authority must be sharply and clearly differentiated from other agencies of the Government directed toward the solution of other types of housing problems.

The Home Owners' Loan Corporation (HOLC) came first in point of time. It was an *emergency* measure, designed to check evictions, and to help families who could afford decent homes in normal times hold on to their homes in times of panic and depression.

The Federal Housing Administration (FHA) came second. It was established to encourage the flow of *private capital* into the large scale and small scale construction of homes for families with enough income to have credit standing, and to protect these families from unfair or exorbitant credit practices.

The United States Housing Authority (USHA) exists solely to rehouse the *lowest income third*, the families who live under conditions which endanger their health, exert a poisonous effect upon whole communities, and lower the living standards of the Nation. The USHA uses *public funds*, because it has been proved that in the absence of public funds "one-

third of a nation" has been sentenced irrevocably to live and die in the slums. It is a *permanent* agency, because all America, in good times as well as bad, has a permanent interest in lifting these millions of families out of the slums.

The USHA is different from the former PWA Housing Division. The PWA Housing Division built 51 slum clearance and low-rent housing projects in 37 cities and in Puerto Rico and the Virgin Islands. These projects were planned, built, owned, and operated by the Federal Government. They represented a highly *centralized* housing program. That program is ended, and the USHA is charged with the responsibility of operating the former PWA housing projects only until they can be leased or sold to the localities. More than half of these projects have already been leased to local authorities.

The United States Housing Authority program is entirely *decentralized*. The USHA cannot turn a single spadeful of dirt or lay a single brick. It is purely a financial-assistance agency, which makes loans and subsidies to *local public housing authorities*. These local public housing authorities, arms of the cities, plan and build and own and operate every single USHA assisted low-rent housing project. In establishing the USHA, Congress wrote into law the view of the Senate committee that—

". . . *housing . . . should spring from local initiative and the voluntary wishes of the people in their respective communities.*"

The USHA assists local public housing authorities in two ways. First, the United States Housing Authority makes a *loan* to the locality to build a low-rent housing project. This loan covers not more than 90 percent of the total development cost of the

project, including land, and runs for not more than 60 years at very low interest rates. (The interest rate is the going Federal rate of interest plus one half percent, amounting usually to 3 to 3¼ percent.) For such loan purposes the USHA has $800,000,000. Secondly, after the project is built and tenanted, the USHA pays equal yearly subsidies to the project, called *annual contributions*, to help bridge the gap between the total annual charges against the project, including debt retirement, maintenance and operation, and the rents which slum dwellers can afford to pay. The annual contributions paid to a project in any one year cannot exceed the going Federal rate of interest plus one percent upon the total development cost of the project (amounting usually to 3½ to 3¾ percent of the development cost, or $35,000–$37,500 annually on a $1,000,000 project). For these subsidies the USHA at present is authorized to spend $28,000,000 per year.

The localities must do their part to get USHA aid. In order to participate in the program, each locality must meet the basic requirements of the United States Housing Act. To do so, the community must:

(1) Establish a local housing authority under a State enabling act. Such acts now exist in 33 States.

(2) Prove that there are low income families in the locality who cannot afford decent housing built by private enterprise and whose needs will be met by the proposed project.

(3) Raise 10 percent of the development cost of the project to supplement the 90 percent loaned by the USHA. This is not difficult, because the money may be obtained in the form of a sound, interest-bearing loan, secured both by the revenues of the project and by the USHA annual contributions.

Private capital has shown great interest in this type of investment.

(4) Make local annual contributions to the project to help reduce rents. Under the act, these local annual contributions (*a*) must equal at least one-fifth of those made by the USHA, and as a separate test of adequacy (*b*) must be sufficient along with the USHA annual contributions to insure that the project will have very low rents and rehouse slum dwellers. This requirement is generally satisfied in the form of complete local tax exemption granted to the project. This tax exemption is authorized in practically every State statute authorizing the creation of local housing authorities. Sometimes, where consistent with sufficiently low rents, the project pays to the city small annual service charges or "payments in lieu of taxes."

(5) Retire from use a number of slum dwellings substantially equal to the number of new dwellings to be built. This may be accomplished by demolition, condemnation and effective closing, or compulsory repair or improvement, and may be deferred in case of a housing shortage. This equivalent elimination of slum dwellings may take place in whole or in part on the site where the new project is to be built, or on some other site, but in all cases it must be carried forward.

(6) Keep costs down. No project is to cost more than $4,000 per family dwelling unit or more than $1,000 per room (excluding land, demolition, and non-dwelling facilities). In cities where the population exceeds 500,000, these limitations are raised to $5,000 and $1,250, respectively.

(7) Pay prevailing wages on all projects assisted by the United States Housing Authority.

A simple example of how the USHA plan works is as follows. Recognizing the need for a slum clearance and low-rent housing program, the city of Louisville created a local housing authority in accordance with the provisions of the State housing legislation. The procedure for creating the local housing authority was extremely simple, as is the case in all States with enabling laws. It was accomplished by the adoption of a resolution by the city council declaring that there was a need for the authority, and the appointment of the members of the authority by the mayor.

The authority as a result of its studies determined that there was need for low rent housing in the city, including a project which would provide housing at a monthly rent of approximately $4 per room or $16 per family dwelling unit, in order to meet the pocketbooks of families in the slums with annual incomes of less than $800.

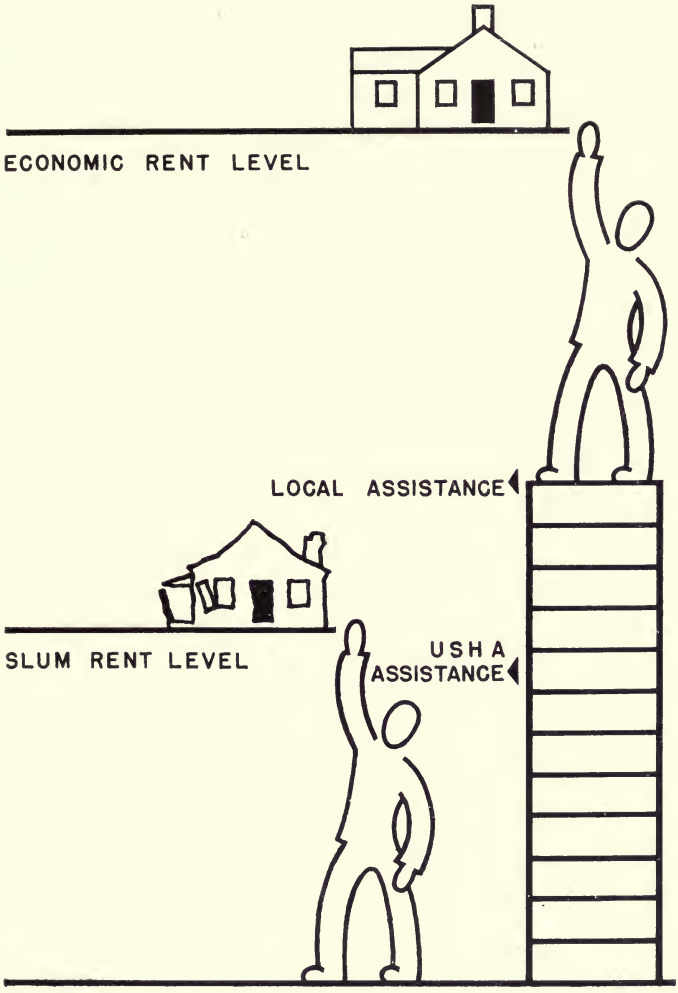
After having received an earmarking from the United States Housing Authority for this project, and after having completed preliminary estimates and studies, the local authority in February 1938 filed an application with the USHA requesting financial assistance. The project was planned to include 3,298 rooms in 814 family dwelling units with an average of 4 rooms each, and to cost approximately $4,734,000. The USHA reviewed this application, approved the determination of the local authority that there was need for the project, and found that the project would meet the requirements of the United States Housing Act. Thereupon, the USHA entered into Loan and Annual Contributions Contracts with the local authority, after these contracts had first been approved by the President.

Under the Loan Contract, the United States Housing Authority agreed to make a loan of $4,261,000,

representing 90 percent of the estimated development cost of the project, at an interest rate of 3 percent and with principal repayments extending over a period of 60 years. The local authority without difficulty obtained assurances from private investors that they would make a loan to the local authority in an amount sufficient to finance the other 10 percent of the development cost of the project.

While the loan from the USHA, supplemented by the 10 percent local loan, would have made it possible to construct the project, it would not have been possible on this basis alone to achieve the desired result of low rents. Upon completion of the project, annual debt service on the loans (including both the USHA loan and the local loan) would amount to about $173,000. Annual operating costs would come to approximately $150,000. Taxes on the project if collected at the usual rate would be around $89,000. Thus the total annual charges against the project would be about $412,000. In order to meet these charges in the absence of any subsidy, the local authority would have to charge a monthly rent of $42 per dwelling unit or approximately $10.50 per room. This would serve an income group above the $2,100 a year level, or more than two and a half times the income level of the slum population in the locality.

In order to reduce the rent to a figure which very low income groups could afford, the United States Housing Authority and the city of Louisville each agreed to provide annual subsidies to meet a portion of these annual charges. Under the Annual Contribution Contract, the USHA agreed to pay annually to the local authority during the entire life of the project an amount equal to 3½ percent of the development cost of the project, or about $165,000 per year. The city of Louisville's agreement to help the project



HOW THE FEDERAL AND LOCAL
CONTRIBUTIONS WORK

involved no actual outlay of funds. It took the form of complete tax exemption as authorized under the State law. This tax exemption had an annual value in excess of the specific minimum statutory requirement that the local contribution be at least 20 percent of the USHA annual contribution, but was essential to meet the general requirement of the act that the rents be within the reach of families living in the slums. The city was quite willing to take this action, realizing that the immense benefits of the project to the whole community far outweighed a hypothetical tax levied against a project that would not have been built at all without USHA assistance.

With the benefit of the USHA annual contributions and the local annual contributions, the local authority will need only to collect rents sufficient to meet annual charges of $158,000. This can be accomplished by monthly rents of approximately $4 per room or $16 per dwelling unit. Thus, the cooperation of the locality and the USHA will reduce the monthly payment paid by the family from the "economic" rent of $42 to the "social" rent of $16. This social rent will meet the needs of families living in the slums with annual incomes below $850.

In connection with this particular project, the Louisville Authority complied automatically with the equivalent elimination requirement of the act, since clearing the slum site selected for the project involved the demolition of slum dwellings substantially equal to the number of new dwellings contemplated. If the local authority had selected a vacant site, the equivalent elimination would have been provided for in a contract between the city and the local authority under which the city would have agreed to eliminate an equal number of slum dwellings within a certain period after the completion of the project.

In designing the project, the local authority kept well within the statutory cost limits, the estimated cost being $902 per room and $3,656 per dwelling unit (excluding land, demolition and non-dwelling facilities).

Immediately after the execution of the Loan and Annual Contribution Contracts, the Louisville Authority proceeded to take the necessary steps preliminary to actual construction, including the acquisition of the site, hiring of the architects, preparation of plans and specifications, etc. To get the necessary funds to finance the expenses of these preliminary steps, the local authority obtained advances of funds from the USHA from time to time as they were needed. The development of the project was soon well under way. Upon completion it will be owned and operated entirely by the Louisville Authority, and will receive the annual contributions from the United States Housing Authority and the full tax exemption from the city, which guarantee that inhabitants of the slums shall be rehoused.

Demolition of slums goes ahead on two sites, in Chicago and Syracuse. This is Chicago's fourth low rent housing project, first for Syracuse.

Not all blighted areas are slums. The new Buffalo housing project means real civic improvement in place of an abandoned penitentiary and the remains of the old Erie Canal. One of Philadelphia's low-rent projects (top) will be built on a reclaimed cemetery site.

Splintering wooden buildings in Charleston, S. C., and Columbus, Ohio. New low-rent housing, soundly built and permanently protected from blight, will arise in both areas on the sites shown in these photographs.

Typical Louisville slums which will be cleared to make way for the city's new low-rent housing projects.

Meeting Street Manor, Charleston, shows how simple, orderly planning can result in a pleasant neighborhood. Below: chaos on the site of low-rent project now under way in Mobile.

Stanley Holmes Village, Atlantic City, before and after.

Substantial fireproof homes will replace these jerrybuilt houses in Youngstown, Ohio, (above) and Mobile, Alabama.

III. Does Your City Need Public Housing?

General truths, and even solid statistics, are never as illuminating as direct personal experience. In every city in the United States, many a private citizen and public official has realized the urgency of the housing problem through some simple every-day incident.

A housewife calling to get her laundry, finds the laundress' baby sick of a serious contagious disease in the same dark room with the sheets and table linen going out to homes all over the city. A banker, turning down a loan, suddenly realizes that three-quarters of his city is no longer "sound" for residential investment. A child is run over—Why? Because his mother chased him out of the stuffy flat to play, and there was nowhere to go but the street.

A public official wants to show a skeptical foreign visitor the great advantages and far-famed success of the American way of doing things. Where should he take him? After a brief tour of the city hall, the new post office, the zoo, a nonstop parkway, and a few bridges, the visitor is driven to the country club by a roundabout route, in order to avoid as much as possible of the seamy residential districts which suddenly seem to blanket the town. Over the refreshments, the foreigner relates how his city—Manchester, Stockholm, Amsterdam, Glasgow, London, or any one of numerous towns with deep rooted democratic insti-

tutions and flourishing private enterprise—has rehoused perhaps 20 percent of its entire population, cleared up miles of slums, and employed its building workers continuously on well-planned modern community housing projects which are permanent civic assets and even attract the tourist trade.

Or an industrialist, enlarging his plant, needs some specially skilled workers employed in another town and offers them higher wages. They reply that they prefer to stay where they are, due to the lack of decent homes available at reasonable rents in the industrialist's town.

Or a bricklayer, out of work, sits on his front porch. He looks at his house and the other houses on his street—all old, verminous, sagging, and obsolete. His neighbor, who works in a steel mill, is being let out next week. And yet, he suddenly realizes, no one on that whole street has ever lived in a new house, or been "in the market" for brick walls or steel beams.

Or a public health officer, thinking up arguments to present to a hostile council on behalf of the increase in his next year's budget, is struck with the thought that most of this increase will be poured into one slum area, without either curing present ills or preventing future sickness.

In more than 200 cities already cooperating with the United States Housing Authority, these personal experiences have been welded together into an unanswerable mass of facts. A few, once their curiosity was aroused, spent more money and collected volumes of valuable and highly specialized information. In no case has honest study resulted in the belief that no action is necessary.

The greater the knowledge of the facts about housing, the more imperative has appeared the need for housing.

Some of the questions which these alert cities have asked themselves are printed below. Almost all the examples cited in answer have been taken from applications for immediate assistance officially submitted to the USHA by local housing authorities. The cities referred to in the following pages are not chosen because they have the worst slum conditions in America. Many of them have not. They are cited because, like a number of others, they have had the courage and the progressive vision to learn the truth about themselves, and to do something about it.

Ask these questions about your own city.

If your State has passed no legislation enabling local housing authorities to be set up, or if your city is still undecided about its course of action, these questions may help you to make up your own mind. If there is already a housing authority in your town, these inquiries will enable you to understand better the problems it is facing and the decisions it will have to make.

How many families in your town live in substandard homes—that is, homes which make a "decent American standard of living" impossible? A dwelling can be substandard in a number of different ways. It may be so dilapidated as to endanger the lives of its occupants—sometimes because it is crumbling with age but more often because of jerry-built construction and neglect. In the Real Property surveys, the proportion of dwellings classified as "unfit for use" or "in need of major repairs", and therefore considered unsafe, is often just as high in the younger cities west of the Mississippi and in the Southwest as it is along the Atlantic seaboard. In Omaha 27 percent of all rented dwellings, and in Austin a like percentage of *all* homes, fell within this unsafe class. Of the 999 dwellings surveyed in Louisville's East

End, many of which have since been acquired and demolished with the aid of the USHA, 920 were structurally substandard, with sagging floors, caved-in walls, and leaking roofs. Outright fire-traps include New York's notorious "old law" tenements, the wooden tenements of New England's mill towns, and the 2- or 3-decker wooden flats, set a few feet apart and dry as dust, found in the Middle West. The row houses and flats built in solid blocks in San Francisco also constitute a serious fire hazard.

Less dramatic at first glance, but probably even more serious, is the lack of running water and elementary sanitary facilities. In New Orleans slum areas to be reconstructed under existing loan contracts with the USHA, there are instances where as many as forty persons have shared two common toilets in the backyard. In Youngstown, 7,264 houses have no bathing facilities, 1,602 have no running water and almost 2,500 have no private toilets. In this city, a notorious slum has already been demolished to make way for a modern low-rent housing project. Thousands of "shotgun" houses in Birmingham, *many of them recently constructed*, are completely without sanitary facilities.

An overcrowded home, with children of all ages and both sexes sleeping in the same room or with their parents, with little or no privacy possible at any time, or a home designed for one family but occupied by two or more, certainly falls below a decent standard of occupancy. In Knoxville, the Real Property Inventory showed 22 percent of all the homes as either "crowded" or "overcrowded." In Fort Worth, a survey indicated that almost 2,000 families were either "doubled up" or otherwise over-crowded in physically substandard quarters. Such figures are *typical* for a majority of American cities today.

There are other factors which, though less readily measured in a survey, are no less injurious: "back" houses of which the Philadelphia "band-box" is a notorious type; alley houses sunk in filth and mud; buildings covering 80 or 90 percent of their lots, with airless windows staring blankly across narrow dank courts into other slum interiors.

"Bad conditions," one will say, "yes, terrible; but how general?" Are the slums merely a speck on the city's face, or an ingrowing part of its whole community life? Here is what some typical cities which have signed loan contracts with the United States Housing Authority discovered:

	Estimated number of families living under serious substandard housing conditions	Percent of total families in city
Cleveland, Ohio	"At least 45,000 in the Metropolitan area."	At least 15 percent.
Pittsburgh, Pa.	"More than 60,000."	About 40 percent.
El Paso, Tex.	"9,500 Mexican families."	About 75 percent of all Mexicans.
Buffalo, N. Y.	"30,000 to 50,000."	25 to 35 percent.
Charleston, W. Va.	"Almost 6,000."	40 to 45 percent.
Mobile, Ala.	"More than 3,000 Negro tenant families."	60 percent of Negro tenant families.
Tampa, Fla.	"4,234 Negro families in slum areas."	96 percent of Negro tenant families.
Newark, N. J.	"30,000."	About 30 percent.
Detroit, Mich.	"More than 70,000."	About 20 percent.

Note.—Since the surveys on which the above estimates were based differed widely in the criteria used and the proportion of city area covered, the estimates are not comparable.

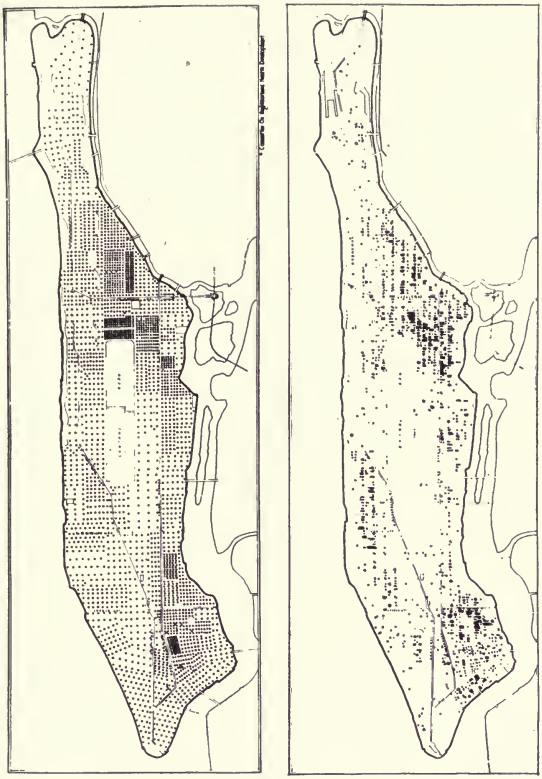
Now how about your own city? If your community is one of the 204 localities which have conducted complete Real Property Surveys with the aid

of Federal relief agencies in the past four years, you have the answer there. In any case, it is highly probable that some agency, public or private, has at least surveyed one or more of your worst slum districts. If no figures are available, it should not be difficult to persuade your local authority, city planning commission or other responsible agency to find the facts. Standard procedures for city-wide canvasses are available from the WPA.

Get the facts about the extent of slums in your city if you can. If that is impossible, spend an hour or two in your run-down areas. And then ask yourself what your city should do.

How much money is your city government spending for health, law enforcement, fire fighting, and other services in areas of substandard housing? Is the per capita cost higher than elsewhere? How much of this extra cost is directly due to bad housing conditions? No progressive city hesitates to spend all the funds it can afford for permanent and productive civic improvements, such as parks and highways, schools, water, utility and transportation systems. But many cities, confronted with the need for drastic retrenchment during the past few years, have discovered to their dismay that an increasingly large share of their budgets is used merely to combat "evils" rather than to produce "goods." Expenditures for fire-fighting, arrest and jailing of criminals, and care of the sick increase from year to year with disheartening regularity.

Some of these municipalities, anxious to know *why*, made detailed investigations which have helped to transform the rehousing of those who dwell in slums from an obscure special problem to a primary national concern.



EXAMPLES OF "SPOT MAPS," NEW YORK CITY

The map on the left shows cases of pulmonary tuberculosis in Manhattan, 1929–31. Each dot represents 5 new cases in a 3-year period, listed according to place of residence. The map on the right shows juvenile delinquency. Each dot represents 1 child under 16 years of age adjudged delinquent.

In Jacksonville it was found that 32 percent of all major crimes and 42 percent of all social crimes were committed in a slum section embracing less than 1.8 percent of the city's area. In Cleveland and Philadelphia the rate of juvenile delinquency was found to be three times as high in the slum areas as it was in the rest of the city; in Birmingham and Hartford it was twice as high; in one 50-block area in Detroit it was ten times as high. In a slum area of Chicago

26 percent of all boys between the ages of 10 and 16 passed through the juvenile court in one year.

With respect to health, the case is even stronger.* In Detroit there were almost three times as many cases of pneumonia, per 100,000 population, in a slum area chosen for clearance as in the city as a whole, and over six times as many cases of tuberculosis. In Tampa, in a slum district known as the "Scrub" which will eventually be cleared under the USHA program, the death rate was 17.2 per 1,000 population compared with 4.5 for the rest of the city, and the disease rate was 23.8 as against 4.8. In Cleveland, 13 percent of the deaths from tuberculosis occurred in a slum area which covered only 0.73 percent of the area of the city and contained only 2.4 percent of the city's population.

The Basin district in Cincinnati, where a large slum reconstruction project initiated by the former PWA Housing Division has been completed, contains only 27.8 percent of the population of the city and covers only 6 percent of its area. But this district in a measured period accounted for 64 percent of the major crimes committed in the city, 54.2 percent of the deaths from epidemics and infections, 47 percent of the deaths from respiratory ailments, and 55.8 percent of all fire losses.

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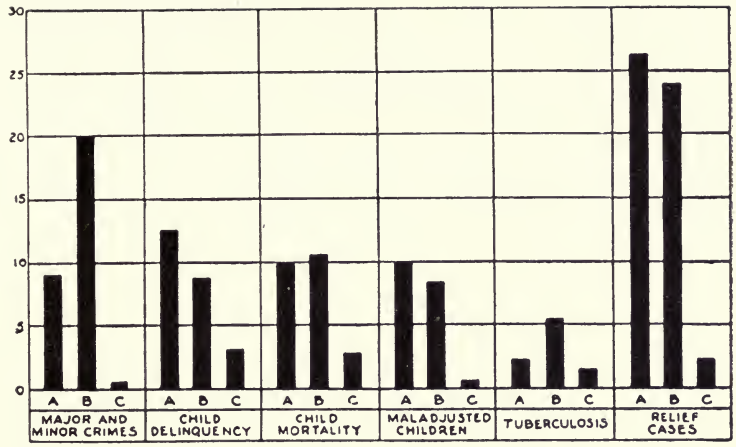
* The newspapers recently reported a particularly dramatic example of the fact that old frame buildings are often infested with vermin, beyond hope or possibility of extermination. The Syracuse Housing Authority is in process of demolishing several blocks of slums preparatory to putting up a large housing project with USHA assistance. Demolition has actually been delayed by the pressing problem of what to do about the rats. It is estimated there are half a million rats in the area as a whole (200 per former occupant) and that it will cost $500 a block to get rid of them and thus prevent neighboring areas from becoming doubly infested. No wonder epidemics start in the slums!



INCIDENCE OF VARIOUS SOCIAL AND ECONOMIC ILLS, IN 3 AREAS OF MASON CITY, IOWA

(*CASES PER 100 FAMILIES*)

NOTE.—A and B are areas of poor housing. C is an average residential area.
SOURCE.— Iowa State Planning Board.

Big cities have most often collected and publicized such data, but the chart showing conditions in three different areas in Mason City, Iowa, prepared by the Iowa State Planning Board, tells much the same story.

The social waste and dangers of these conditions unfortunately cannot be measured, although they have been obvious for many years. But the actual costs to taxpayers of remedial services are measurable indeed. It would be a serious mistake to assume that all the excessive costs of slum areas to the community are due to bad housing conditions. Relief and certain other expenditures are traced directly to poverty and unemployment. Some of the burden may be attributed to lack of education. None the less bad housing is certainly a strong contender for first place among the causes of chronic waste which no far-sighted and realistic city can afford to tolerate.

The Cleveland Metropolitan Housing Authority noted the following contrast between per capita costs

of various services in a large slum area and in the rest of the city:

PER CAPITA COSTS

	Slum area	*Rest of city*
Police protection	$11.50	$4.20
Fire protection	18.27	2.74
Public health work	2.02	.60
Tuberculosis care	3.04	1.17

The Fire Chief of New Orleans recently stated in the New Orleans *Times-Picayune* that the local housing authority's plan to clear out a large number of undesirable dwellings will be of immense value to the city in assisting the fire department's program for fire prevention and control.

What are the costs of these social evils to your city and its taxpayers? The facts are in the files of your city departments. You will find that expenditures which tolerate and seek to "patch up" the slums are folly. You may conclude that a forthright attack upon the slums will stop a waste of tax revenues and result in lasting benefits to your whole community.

How much of the area of your city is economically "blighted," and how rapidly is this condition spreading? "Blighted area" is a technical term that has gradually found its way into general use—for the very good reason that it describes a condition which sooner or later affects the pocketbook of every taxpayer and property owner in the community. A "blighted area" may be an outright slum. Or it may be a neighborhood which only recently was flourishing and respectable, but is now "running down"—very often this type of blight is directly due to the spreading contagion from a neighboring slum, already several steps further down the scale. Or blight may develop in a partly built suburban area where the speculators guessed wrong and left useless wasted

BLIGHTED AREAS IN BIRMINGHAM, ALABAMA

NOTE.—Arrow indicates Smithfield Court, housing project built by PWA and now occupied.

SOURCE.—Survey by Birmingham, Alabama, Housing Authority.

streets and utilities flanking rank field lots and scattered shacks.

But a "blighted area" is *always* an area of declining property values and tax delinquency. It always costs the city more than it pays in. And it is always an area "dead" to any ordinary private building operations, black-listed by the responsible lending agencies and neglected by present owners.

Cleveland made the first systematic analysis of such areas, and thus marked the start of a new and more sober era in American city development. It was the beginning of a desire for knowledge and understanding which will gradually result in sound planning and rebuilding. Cleveland, it may be noted, built three large projects under the former PWA housing program and has already signed loan contracts for three more under the new USHA program.

Birmingham followed with a similar study. The map shows how serious and wide-spread the problem became. It also shows the location of the housing project built by the former PWA Housing Division and now leased to the Birmingham Housing Authority by the USHA, which was the first real effort

to turn back the tide. Birmingham is going ahead with a large program of slum clearance and low-rent housing under the United States Housing Act.

Is your city threatened by the creeping paralysis of blight? If so, there is no reason to yield to it.

Is the present trend of construction activity in your city helping to solve the slum problem? Are there signs of a general housing shortage? Most cities both here and abroad have found that the process of building homes only for the upper income groups and then handing them down, at successive stages of neglect and disrepair, to lower and lower income groups, has proved a failure. It neither eliminates the worst old slums nor prevents the erection of new slums. And in many localities it seems to have resulted in a chronic shortage of moderate and low-rent homes of any kind.

The important questions which a city must therefore seek to answer are: Is the supply of new dwellings, at *any* price level, adequate to prevent a severe general housing shortage? What income groups is the building industry as now constituted reaching or likely to reach? What are the typical incomes of families now living in substandard housing and what rents can they pay?

Rents vary from city to city, incomes vary, building costs and prices vary—but the over-all picture presented by the local housing authorities in their applications to the USHA for low-rent projects is amazingly uniform.

In Dayton, only 690* new homes were built between 1929 and 1935, although it was estimated that 703 dwellings were demolished between 1929 and 1937.

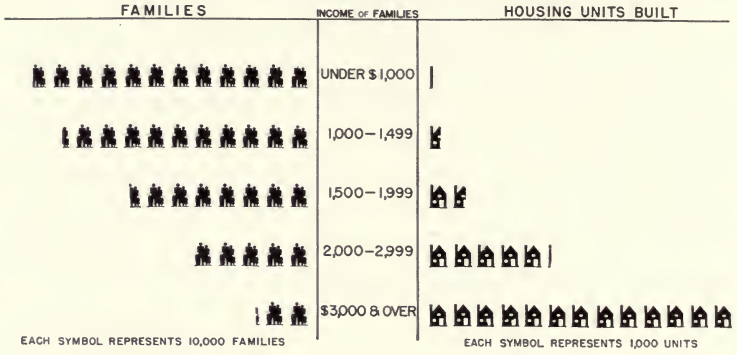
* Figures on new construction from the Bureau of Labor Statistics.

Moreover, the median construction permit value of the new homes was about $4,000, which would mean a rental value of approximately $60 per month. And the average rent paid in substandard housing was about $15 per dwelling unit per month. The result? Thousands of families are either overcrowded or "doubled up," and it has become virtually impossible to find a home for rent at less than $20 per month.

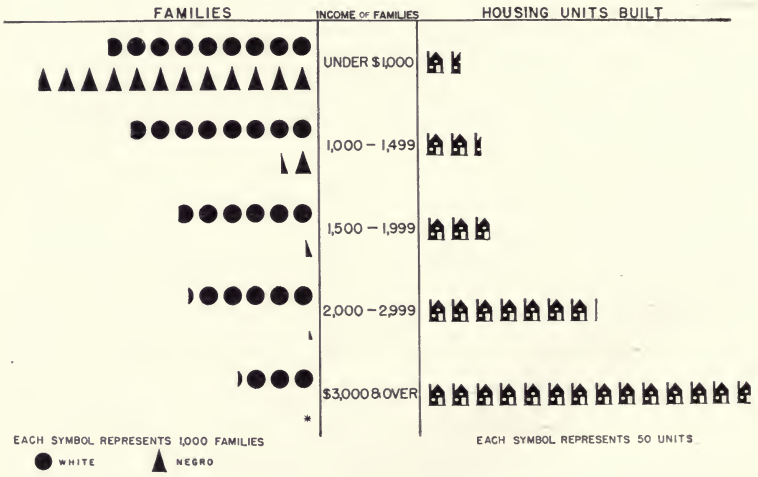
The accompanying charts show for whom new private housing has been built in Detroit and Richmond. Only 980 dwellings built in Detroit from 1929 to 1935 were conceivably within the reach of the 123,000 families with annual incomes of less than $1,500. Less than 5 percent of the construction was available for more than 60 percent of the potential consumers! In Richmond only 198 new homes were within the financial reach of the 30,000 families with annual earnings of less than $1,500, and 97 percent of all the Negro families in the city fall within this category.

Toledo reports that 3,196 dwellings have been constructed in the last 10 years, only 265 of which were within the rental range of low income families. At the same time, 585 dwellings, mostly low-rental, were demolished. This "probable decrease in available low-rent facilities is even more apparent when one considers that there was an increase during this period of the city's population of some 18,000 families, the majority of which were probably low income." In 1936, a survey by the Toledo Housing Authority disclosed only 561 vacancies—or 0.8 percent. In New Orleans a recent postal survey showed only 1.16 percent vacancies. Out of 29 vacancy surveys made in the first 4 months of 1938, Department of Commerce figures show that in 12 cities less than 2 percent of the dwellings were vacant.

THE BUILDING MARKET: DETROIT, MICHIGAN



THE BUILDING MARKET: RICHMOND, VIRGINIA



NOTES ON DETROIT AND RICHMOND CHARTS

SOURCES.—*Family income distribution*—derived from "Health Survey," 1935–1936, U. S. Public Health Service, sample coverage.

Housing units built—derived from "Building Permit Survey," Bureau of Labor Statistics. Covers 7-year period, 1929–1935.

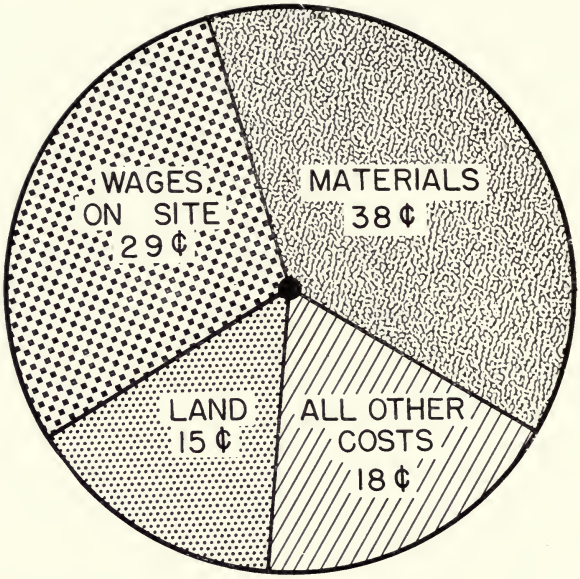
METHOD.—Building permit figures have been increased by 50% according to the usual rule of thumb, to arrive at an estimate of market value. It has further been assumed that a family can afford to live in a dwelling of value twice as great as family income (i. e. a $2,000 house is assumed to be within reach of a family with $1,000 income).

Is *your city* different from all these others? The Bureau of Labor Statistics is likely to have available data on the number and value of residential building permits in recent years. It should be remembered that these permits represent net construction costs, and should usually be increased by about 50 percent to arrive at market value or price. About 1 percent of the market value of a family dwelling unit should represent its approximate monthly rental. If no recent survey of rents, incomes, and housing conditions has been made, a comparison of the building permit figures with the data on rent levels in the 1930 census of your town may be worth while. In addition, an estimate of the increase in population since 1930 is probably available.

Examine these figures to decide whether your city is suffering like so many others from the need for new decent housing, with the added prospect of skyrocketing rents and an emergency shortage such as succeeded the war. Then make up your mind whether your town needs any public housing.

What would the housing program mean to your city in terms of re-employment? Practically all local housing authorities report serious unemployment among building trades workers. The desire for speedy achievements in the housing program rests in part upon the conviction that jobs for these men will help to stimulate local retail trade and accelerate the wheels of prosperity. In several localities the mere earmarking of funds or the signing of a large loan contract has had a visible effect on local business morale—even before a penny was actually spent.

Examples of the amount of employment, wages and other expenditures which these projects will bring to various cities are shown on the charts.



THE HOUSING DOLLAR

ESTIMATED BREAKDOWN FOR USHA PROGRAM

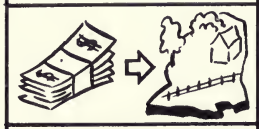
NOTE.—"All other costs" include local administration; architectural services; interest during construction; contractor's overhead, profit, etc.; and equipment.

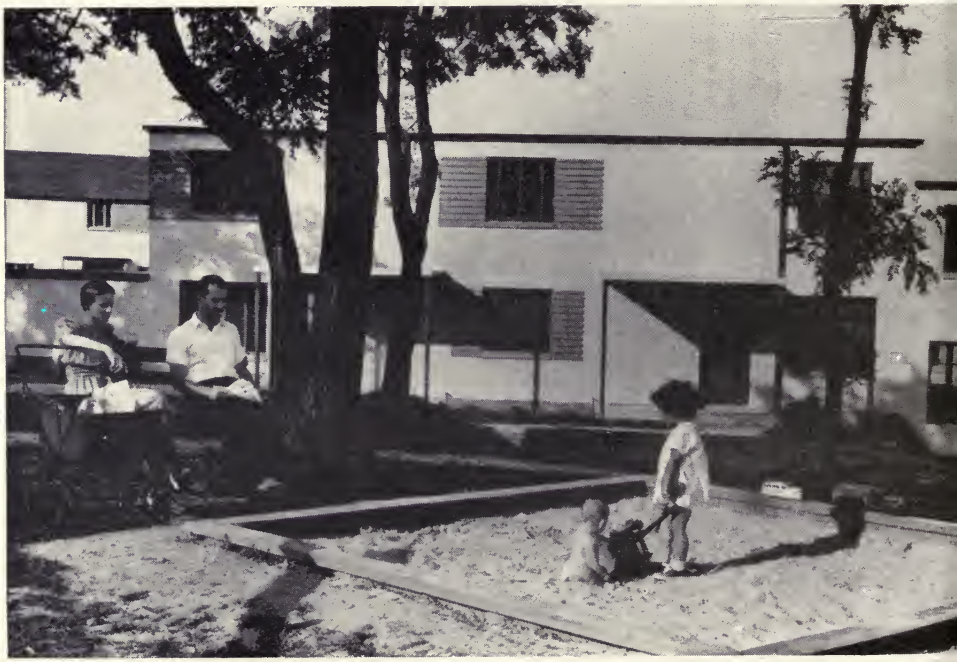
How would a housing program affect *your* local relief and business situation? From the welfare agencies, employment offices, or building trades unions in your city you may be able to find out the number of building workers actually unemployed today. If comparable figures are available, you will probably find also that a large number of men who actually were building workers at the time of the 1930 census now list themselves under other occupations. They have sacrificed their years of training and experience and been forced into other trades where they displaced other workers. Their reabsorption in the work for which they are best fitted would reduce unemployment in other fields.

Public housing promotes useful jobs for those willing and able to work.

TYPICAL LOCAL HOUSING PROGRAMS NOW UNDER WAY

{Breakdowns of Expenditure and Employment are rough estimates only}

		NORTHERN CITY 1,500,000 population	SOUTH CENTRAL CITY 300,000 population	SOUTHERN CITY 500,000 population	WESTERN CITY 200,000 population	MIDWESTERN CITY 100,000 population
	Land (including slum buildings if on a clearance site)	$800,000	$2,500,000	$2,500,000	$300,000	$500,000
	Wages on site	$6,200,000	2,100,000	2,100,000	700,000	800,000
	Materials	$7,100,000	3,100,000	3,100,000	1,000,000	1,000,000
	Administration, carrying charges, design, equipment, etc.	$4,300,000	1,700,000	1,700,000	500,000	600,000
	Total expenditure	$18,400,000	9,400,000	9,400,000	2,500,000	2,900,000
	Estimated total number of men who may be employed on site	9,000 men	5,000 men	5,000 men	1,400 men	1,400 men



Children turned loose on the streets find only idleness, frustration, and danger, but in Greenbelt, Maryland, family life is developed in healthful, protected surroundings.

Milwaukee provides municipal playground (top) at Parklawn project, with recreation for all ages. Active boys need a constructive outlet for energy.

Public housing provides the space for this sewing club in Cleveland under leadership of an NYA instructor.

Community life reflects its environment. Gambling with dominoes in this Southern City (top) contrasts with organized classes for better home management (lower) conducted in a housing project by state workers.

Men at work, or women in breadlines? New housing will furnish a year's work for over 300,000 men in the building trades and allied employment.

IV. *Public Housing Achieves Low Costs and Low Rents*

Most cities, when they examine their local situation, come quickly to the conclusion that they want slum clearance and low-rent housing. *Proof of need* settles this main issue. But as a city proceeds to set up a local housing authority, develop plans, and enter negotiations with the USHA, certain other fundamental issues are likely to arise concerning the particular program of the USHA.

Above all, everyone wants assurance that building costs will not be too high, that projects will be simple and economical, and that the rents will be low enough to rehouse families who live in the slums.

In the following pages, these foremost issues are raised and discussed. For the most part they can be settled directly out of the practical experience of the cities with housing projects already under way.

Building costs are economical and projects are simply designed.

Many people concerned about housing are at a loss when they hear the statement that public housing projects are "expensive" and "extravagant." It seems only natural for the layman to shy away from a discussion of this question. The fact is that the subject of costs can be reduced to very simple terms, understandable not only to the engineer or the accountant but also the average citizen. By sticking close to a few facts and by making fair comparisons, anyone may form a mature judgment about costs.

The Housing Act requires strict economy.

No provisions of the United States Housing Act were more carefully considered by Congress than those dealing with costs. In order to make sure that economy would be the watch-word in the construction of public housing projects, the Act provides (italics ours):

> No contract for any loan, annual contribution, or capital grant made pursuant to this Act shall be entered into by the Authority with respect to any project hereafter initiated costing more than *$4,000 per family-dwelling-unit* or more than *$1,000 per room* (excluding land, demolition, and non-dwelling facilities); except that in any city the population of which exceeds 500,000 any such contract may be entered into with respect to a project hereafter initiated costing not to exceed *$5,000 per family-dwelling-unit* or not to exceed *$1,250 per room* (excluding land, demolition, and non-dwelling facilities), if in the opinion of the Authority such higher family-dwelling-unit cost or cost per room is justified by reason of higher costs of labor and materials and other construction costs. With respect to housing projects on which construction is hereafter initiated, the Authority shall make loans, grants, and annual contributions only for such low-rent-housing projects as it finds are to be undertaken in such a manner (a) that such projects *will not be of elaborate or expensive design or materials, and economy will be promoted both in construction and administration*, and (b) that the average construction cost of the dwelling units (excluding land, demolition, and non-dwelling facilities) in any such project is *not greater than the average construction cost of dwelling units currently produced by private enterprise*, in the locality or metropolitan area concerned, under the legal building requirements applicable to the proposed site, and under labor standards not lower than those prescribed in this Act.

Thus it is clear that the Act places two restrictions upon costs: first, a limitation in terms of dollars and cents, and second, a limitation based upon comparison with private enterprise. The USHA and the localities are straining every effort not only to meet these two requirements but also to excel them in the direction of economy. As to the dollars and cents limitation,

the cost estimates on projects now under way, including a cushion of 10 percent for contingencies, are averaging about 16 percent under the legal maximum. As to the comparative costs limitation, the record is equally good. This will be demonstrated after pointing out some common fallacies which must be avoided in making comparisons of housing costs.

First costs should not be judged without considering durability and economy of upkeep at the same time.

No business man would say that a machine lasting 60 years is more extravagant than one which lasts only 20 years, simply because the 60-year machine costs 10 or 15 percent more to buy. No business man would install a machine in his plant simply because its first price was cheap, if it needed constant repairs. Yet one constantly hears comparisons between the *original* cost of shoddy, speculative construction, which will last only 20 years at most, and require costly repairs even during that short period, and the *original* cost of durable public housing with a 60-year life.

It is precisely because the taxpayer's money is being used that public housing construction must be sound, no less than post offices, hospitals, and schools. A shoddy housing project would cost more in the long run—just as small home owners in thousands of places pay for their homes twice over in mending and patching ramshackle buildings. Solid construction is the only real safeguard a community has against the danger of creating new slums with public funds.

Achieving very low rents also depends upon durable construction. No one could justify a 60-year Government loan on a house with a 20-year life. Projects assisted by the USHA must be financed over a 60-year period to reduce the annual charges for

interest and principal which enter so largely into the determination of rents. Moreover, a relatively fireproof building of simple design but permanent materials and good equipment will cost less to run—less paint, heat, insurance, replacements, leaks and miscellaneous disorders, and less staff—than a much cheaper and flimsier house. Nothing could be more "penny wise and pound foolish" than to save a few dollars in construction, while defeating the objective of low rents by making annual operating costs excessively high.

Labor standards should not be overlooked.

It is generally acknowledged by businessmen that the smaller pay checks in low wage areas are no indication that low wage areas are more efficient. But none the less, jerry-built construction, built under the lowest labor standards imaginable, is sometimes compared in cost with public housing projects on which a decent living wage is paid. Prevailing wages are paid on all projects assisted by the USHA. It would be short-sighted economy indeed to construct low-rent housing for families of low income, and at the same time to force the standards of these families even lower by depressing their earnings.

The building trades are cooperating to a remarkable degree in the USHA program. Agreements have been signed which should encourage regular production according to schedule and which may materially reduce the contractors' risks—and thus, eventually, bring down building costs.

One must measure the full value as well as the cost of a housing project to the neighborhood, the community, and the city.

It doesn't mean much to say how much something *costs* until one also realizes how much it is *worth*. A

purely speculative housing project may seem to be cheap. But it is likely to contribute nothing to the solution of a city's slum problem, and it may be so poorly designed and arranged that it will degenerate into a slum within 10 or 15 years. It may cease to be a private asset and become instead a public liability. A public housing project, on the other hand, may seem to cost somewhat more at first. But its benefits may include clearing away the horrible conditions of city slums, stabilizing property values, providing neighborhood recreation places and safe play areas for children, and raising the general standards of living throughout the community. It represents a step toward beautifying and reconstructing the city as a whole.

Cost of construction and cost of site must be differentiated. In judging the cost of a housing project, it is essential to separate building costs from land costs. Frequently the total cost of a "housing project" includes the relatively high price of acquiring slum sites in an expensive central area of the city. Projects so located necessarily cost much more than public or private construction on vacant or cheap land. The additional cost, however, achieves a purpose which is not achieved when a private builder constructs a "less expensive" project on a cheap site. This purpose is the clearance of infected slum sites, which public authority must undertake because no one else will. When a public housing project accomplishes both (1) the rehousing of families who live in slums and (2) the acquisition, clearance, and rehabilitation of expensive slum sites, it is obviously an error to compare the total cost of this undertaking to the cost of a new commercial housing venture which accomplishes nothing with respect to the slums.

Of the first 51 projects assisted by the USHA in 28 cities, 26 are on slum sites and 25 are on vacant land.

The following table shows the range of estimated land cost per dwelling unit for these first 51 projects.

Estimated cost of land per dwelling unit in the 51 projects for which loan contracts have been signed with 28 cities

Estimated cost of land (including demolition) per dwelling	Projects on sites which involve more than 50 percent slum clearance	Projects on sites which are more than 50 percent vacant	Cumulative Total
Less than $99	.....	2	2
$100–$299	.....	10	12
$300–$499	1	7	20
$500–$699	5	3	28
$700–$899	5	1	34
$900–$1,099	1	2	37
$1,100–$1,299	5	.....	42
$1,300–$1,499	2	.....	44
$1,500–$1,699	4	.....	48
$1,700–$1,899	1	.....	49
$1,900–$2,099	2	.....	51
	26	25	51

The average land cost per family dwelling unit is estimated at $1,165 for the projects on slum sites, and at $510 for the projects on vacant sites. The additional cost of the slum sites is therefore $655 per family, or $10,918,850 for the 13,826 families in the 26 projects involved. This amounts to about 12 percent of their total development cost.

These facts do not prove whether a city should build its public housing on cheap vacant land or on expensive slum land. But these facts do show that there are two methods of rehousing those who now dwell in the slums, one of which is more expensive than the other, not because public housing is extravagant, but rather because one of the methods *does a different job* from the other. It is up to each city to

decide, upon a careful study of its local needs, whether with a given amount to spend it should rehouse relatively more families on cheaper land, with an equivalent number of slums being eliminated under the police power, or whether it should rehouse relatively fewer families and use more of its money to buy up expensive slum areas.

Using similar terms, one finds that public housing compares very favorably in costs with private housing.

No one, in comparing the cost of Automobile A with Automobile B, would take only the cost of the chassis in one case and the cost of the completely equipped car in the other. Yet just such procedure has been followed repeatedly in discussing housing projects.

When a man says "I could build that house for $3,500, he usually means only the *net construction cost*, excluding land, utilities, overhead, carrying charges, architect's fees, and even some of the essential equipment. The same is true of the attractive figures on housing costs generally quoted in the popular magazines. But when the *total* development cost of a large-scale housing project is divided by the number of family dwelling units built and then quoted as the "cost" of public housing, this figure includes all of these items, and it may also include the cost of slum buildings, demolition, streets and walks, public open spaces, playgrounds, and other community facilities.

The building permit data collected and tabulated by the Bureau of Labor Statistics of the United States Department of Labor provides the only feasible basis for a comparison of private and public housing costs, although it is generally agreed that cost estimates given on building permits are considerably lower than actual costs. This building permit data provides estimates of the net construction cost per dwelling

unit of private residential construction. On a strictly parallel basis including the same items, the USHA has estimated net construction costs for the first 51 projects approved in 28 cities. The following table shows the USHA estimates for these 28 cities.

Estimated net construction cost per dwelling unit in 28 cities with approved loan contracts for 51 projects

Estimated net construction cost per dwelling unit (comparable to "building permit values," as used by the Bureau of Labor Statistics)	First 28 cities with approved loan contracts			
	Cities under 100,000	Cities 100,000 to 500,000	Cities over 500,000	All Cities
$2,000–$2,499	1	1	.....	2
$2,500–$2,999	2	3	.....	5
$3,000–$3,499	3	11	.....	14
$3,500–$3,999	.....	.....	5	5
$4,000–$4,449	.....	.....	2	2
	6	15	7	28

For the 6 cities with a population under 100,000, the range of net construction costs is from $2,259 to $3,258; for the 15 cities with a population between 100,000 and 500,000, the top figure is $3,497; and for the 7 largest cities, the high mark is $4,179.

In 1937 the Bureau of Labor Statistics figures for these 28 cities show that average residential permit values for all types of construction were higher than the present estimates for public housing in 24 of the 28 cities. The over-all average for residential permits was $4,020 per dwelling unit, as compared with $3,250 for the projects assisted by the USHA, or 24 percent higher.*

*Note that "average" as used in this paragraph is not weighted for the number of units erected or to be erected in each city; it is used instead as a city index.

It should be noted that the construction permits doubtless include a preponderance of frame dwellings, while the new public housing projects will all be 60-year masonry construction. Also, private home building often does not pay prevailing wages, which are required under the United States Housing Act.

But these are estimates. What will the projects really cost? As this pamphlet goes to press, actual construction bids have been taken in several cities. In New York the net construction cost per home will be about $3,350; and in Buffalo, about $3,500. These are both cities where building costs are usually relatively high. In Austin, Texas, the average net cost of constructing homes for low income families will be only about $2,200 per unit.

Why are the costs so low? For one thing, the agreements with the building trades unions remove many of the uncertainties and possible delays in big housing jobs and have most assuredly played a part in the reasonable bids submitted. Also, these new projects will be built under normal, local building conditions, from local rather than Federal specifications. This is only one of the many ways in which the policy of decentralization is working out with great success.

And finally, a technique of designing community housing projects is now really being developed in the United States. For years there has been talk about the economies of large-scale operations, the importance of neighborhood site-planning, and the value of establishing certain simple minimum standards of design and equipment in terms of real economy rather than gadget salesmanship. Valuable experiments have been made, many of them by the Federal Government. But it is only now that the architects and technicians of the USHA and the local authorities are

transforming this experience into a sound, scientific practice.

This is still only the beginning, however. Even greater improvements and economies may be expected in the future. Costs are low, but they must be driven still lower.

Projects assisted by the USHA will rehouse families who live in the slums.

The provisions of the United States Housing Act and the procedures of the USHA represent a sifting and crystallization of much experience on the part of public and private agencies. From this experience there have emerged clearly defined standards as to costs, rents, tenants, and local responsibility. Also there has been developed for the first time a carefully calculated financial method of reaching families of very low income. The application of these standards and methods insures that the purpose of Congress is carried out in spirit as well as in letter.

First of all, the United States Housing Act provides that the USHA can assist *only* slum clearance and low-rent housing. Now, what does this mean? The answer becomes clear when one reads the following definitions in the Act (italics ours):

> The term "slum" means any area where dwellings predominate which, by reason of dilapidation, over-crowding, faulty arrangement or design, lack of ventilation, light, or sanitation facilities, or any combination of these factors, are detrimental to safety, health, or morals.
>
> The term "low-rent housing" means decent, safe, and sanitary dwellings *within the financial reach of families of low income* . . . The dwellings in low-rent housing as defined in this Act shall be *available solely for families whose net income at the time of admission does not exceed five times the rental* (including the value or cost to them of heat, light, water, and cooking fuel) of the dwellings to be furnished such families, except that in the case of families with three or more minor dependents, such ratio shall not exceed six to one.

The term "families of low income" means families who are in *the lowest income group* and who cannot afford to pay enough to cause private enterprise in their locality or metropolitan area to build an adequate supply of decent, safe, and sanitary dwellings for their use.

Thus the United States Housing Act provides for the rehousing of families who live in the slums.

In addition, the State acts under which the local housing authorities operate define "low-income families" even more closely. Those eligible to live in public housing projects must, according to a typical statute, "lack the amount of income which is necessary to enable them, without financial assistance, to live in decent, safe, and sanitary dwellings, without overcrowding."

In this way the States are cooperating with the Federal Government to limit public housing to families who live in the slums.

The safeguards established by both Congress and the State legislatures are strengthened in the contracts between the USHA and local housing authorities. Under these contracts, the local authorities must obtain from the head of each family at the time of its admission to the project, and once a year thereafter, a sworn statement as to the total income of the family in the previous year. Investigators employed by the local authority must file affidavits that prospective tenants "cannot afford to obtain safe, sanitary, and uncongested privately owned housing." Similar methods have proved uniformly successful in the selection of families living in former PWA housing projects now leased to local housing authorities by the USHA. The pessimists' expectations of "politics" have died down as facts have proved their fears to be unfounded.

Through these enforceable contracts the localities join with the Federal Government and the States to do housing for those who need it most.

But legal conditions cannot alone bring decent housing to low-income families unless the rents are low enough for them to pay. By careful surveys to determine exactly what rents are needed in each locality, by simplicity and economy of design and management which scrupulously uphold minimum standards of space and sanitation but ruthlessly eliminate "extra frills," and by USHA and local subsidies adjusted to each local need, the local authorities are driving down rents to the last penny.

The following table indicates the estimated average rents to be charged in projects in the first 28 cities with which the USHA signed loan contracts. It also shows the approximate average income of the families to be served by these projects.

Estimated rent and income groups to be reached by 28 cities with approved loan contracts for 51 projects

Estimated average monthly shelter rent (i. e. excluding utility services) per dwelling	Estimated average income group served	First 28 cities with approved housing projects		
		North	South	Cumulative Total
$8–$10	$450–$550	.....	1	1
$10–$12	$550–$650	.....	2	3
$12–$14	$650–$750	.....	1	4
$14–$16	$750–$850	2	5	11
$16–$18	$850–$950	9	5	25
$18–$20	$950–$1,050	2	.....	27
$20–$22	$1,050–$1,150	1	.....	28
		14	14	28

Four Southern cities expect to achieve average monthly rents well under $14 per family dwelling

unit, serving families with annual incomes from $450 to $750. In these cities, the median monthly rent paid in 1930, according to the census, averaged $19. Eleven Northern and 10 Southern cities are planning average monthly rents between $14 and $18, for income levels from $750 to $950. In these cities, median rents, according to the census, averaged $22 in the South and $36 in the North. The remaining three cities, all in the North, will have average monthly rents of $18 to $22, serving a maximum average income level of about $1,100. The census indicates that half the families in these cities have been paying less than $41.

It is important to compare these proposed rents with a Cost of Living Survey recently made by the WPA, which included 15 of these first 28 USHA loan contract cities. In each city, by field survey, questionnaire, and careful analysis, a "maintenance level budget" was worked out. These budgets embraced the minimum requirements of an unskilled wage-earner's family in terms of the actual cost of standard food, clothing, shelter, etc., in his community. The budget was first developed for 1935, and later adjusted for 1937 prices. On the 1937 basis, the budget allowances for rents at the minimum "maintenance level" were, with only one exception, higher than the proposed rent for the housing projects in the same cities. All in all, the proposed rents for the new projects average 16 percent lower than the minimum budget allowance.

In summary, the first 30,496 family dwelling units assisted by the USHA will serve a proved and urgent need of those who live in the slums at rents they can afford to pay.

But the question is often asked: What about the families with no real income whatsoever—families

who are unemployed or are on relief? Will public housing projects reach them?

The immediate purpose of public housing is to raise the living standards of typical *employed* families of very low income, who are independent and self-supporting, but who have not been able to afford the kind of homes in which independent and self-supporting Americans should live. Public housing is designed to improve the condition of millions of working families who have reasonably steady jobs and reasonably steady but inadequate earnings.

But it must be recognized that a housing program alone cannot be expected to cure all the social and economic ills of society at one and the same time. Perhaps the most wide-spread and deep-rooted of all these ills are unemployment and the lack of any sort of minimum standard of security in income. It is not the immediate purpose of a public housing program to solve the housing problem of the unemployed and those without reasonably steady jobs or incomes.

It is agreed, both here and abroad, that housing projects, once they are set up at the lowest rents feasible, must be operated on a business-like basis.

Unemployment insurance, old-age pensions, public works, relief, and the manifold efforts of industry, labor, and Government, are all enlisted in a continuous war against unemployment and for minimum security. All these efforts are still in their infancy in America, some of them even younger than the housing program. It is not too much to expect that their cumulative effect may eventually put a floor under that shifting quantity, the American worker's income.

In England and the Scandinavian countries, where similar measures directed against unemployment have

been operating with considerable success for many years, the extremes of income are not nearly so great as they are in this country, unemployment is less, and public housing projects often reach families receiving unemployment insurance or old-age benefits.

And while we are striving to bring incomes up, we must also work to achieve even lower rents. Large-scale housing projects call for a new technique of production, capable of gradual improvement in every detail. Even today, cities can achieve still lower rents than those now scheduled by increasing their own subsidies. If, in addition to tax exemption, a municipality can make an outright contribution of land or services, this will materially reduce rents. Several cities have already taken this course, and the resulting savings in monthly rents have run up to several dollars per family dwelling unit.

But if the very poorest of the unemployed cannot move at once into the new housing projects, the jobless will none the less benefit if an adequate supply of houses is maintained for the population as a whole, by public and private efforts. A critical shortage hits the poorest families first and hardest. And the unemployed more than any other group will be helped by the general upturn in business conditions which a soundly executed housing program is sure to encourage.

No major forward movement ever reached its goal the first year. It has taken a generation for many great reforms to achieve the practical machinery already developed on a nation-wide scale for the rehousing program.

The privy and the common water tap of this Birmingham neighborhood (above) give way before the sanitation and convenience of modern bathrooms and kitchens.

Bathroom and laundry facilities, hot running water provided in a housing project in Washington, D. C. Perlestine Alley in Charleston, S. C., has one tap in the yard for all families. Laundry must be done in the yard over open fires.

Overcrowding spreads disease in the Nashville slums (above) but tenants in public housing are protected.

A normal American way of life is now possible for families like these, tenants in Parklawn, Milwaukee, and in Hill Creek, Philadelphia.

Fire and police protection costs more in the slums, and slums cannot pay their way in taxes. Balancing the social budget in these neighborhoods will help bring city finances into line by eliminating waste.

V. Public Housing is Good Business

The notion that there is always a fundamental contradiction between "public" and "private" action, and that we must always choose either one or the other, results from abstract prejudice rather than realistic thinking. It is true that those social needs which private enterprise alone cannot satisfy tend to become public responsibility. But it is equally true that practically every exercise of public responsibility for productive purposes draws heavily upon the services of private enterprise and proves a stimulus to the profitable expansion of industry.

The public highway system eliminated private toll roads and toll bridges, wiped out miles of good farm land and expensive buildings, and cost the taxpayers millions and even billions of dollars. But where would the great automobile industry, the cement and rubber industries, and countless other contributions to our national prosperity have been without good roads?

Likewise, in a public housing program, many different kinds of private enterprise participate directly or indirectly. The various types of individual initiative should be examined one by one, in order to consider exactly what their particular stake may be and what they stand to gain or lose by a large-scale public housing program. One thing which becomes evident immediately from such a survey is

that only a very small part of the entire public housing program is actually "public enterprise."

Public housing stimulates private enterprise.

Manufacturers are outstanding representatives of the business community. The participation of productive industry in the housing program is simple, direct, and entirely on the profit side of the ledger. Of the $889,000,000 which constitute the immediate public housing program ($800,000,000 in USHA loans plus a minimum of $89,000,000 raised by the local authorities), about $338,000,000 will be spent directly for materials and equipment. This means large individual purchases of standard first-grade goods, with no risks about the payment of bills. And these orders will displace no other orders, since the low-rent program will service families who would otherwise be entirely outside the market for new homes.

The *contractor* derives an even clearer benefit from the housing program. About $689,000,000 will be spent for construction alone in the first few years. This sum will be paid directly to private contractors, who will in turn use it for wages, materials, equipment, and their own profit and overhead.

The *builder of homes for sale or rent* is the man most often thought of when "private enterprise" is mentioned in connection with the housing business. Will he be hurt by public housing? As long as the new dwellings are rented at levels far below anything he can reach, and as long as the tenants are drawn solely from income groups who cannot aspire to new homes privately built, the low-rent housing and slum clearance program offers no competition of any kind to the private builder. The exacting legal conditions—Federal, State, and local—which guarantee him this

protection have been described in detail beginning on page 62 of this pamphlet. The proof that the actual rents to be charged in the new projects will be below any attainable level for new private buildings has been presented on pages 64–65.

Far from being injured, the private builder is substantially helped by a public housing program. Last summer a partial survey was made by the Public Works Administration of the new building going on in the neighborhood of the PWA housing projects then under construction. It was reported that "a total of $3,000,000 worth of private real estate improvements in the vicinity of the projects has been traced directly to the reviving effect of the housing developments on their surroundings although in many instances the Federal improvements are not yet completed or occupied." One small project "was built in an obsolescent neighborhood where the total value of improvements constructed in recent years would probably not amount to $1,000." Immediately after the project was started, "the neighborhood was benefited by the construction of 4 filling stations, 9 store fronts, 15 stores, 73 houses, and one swimming pool. In addition, 8 stores and 15 houses have been remodeled." This case was typical of many.

Those most concerned about the future welfare of private building enterprise see in public housing a large factor in stabilizing the entire construction industry. The mere handful of public housing projects already erected have influenced the development of a sound technique for large-scale planned neighborhood development. The increasing success of the FHA in their large rental projects, and such undertakings as the tremendous Metropolitan Life Insurance project in New York and the Buhl Foundation's Chatham

Village in Pittsburgh, have been greatly facilitated by the thought and experience developed in public housing, both here and abroad.

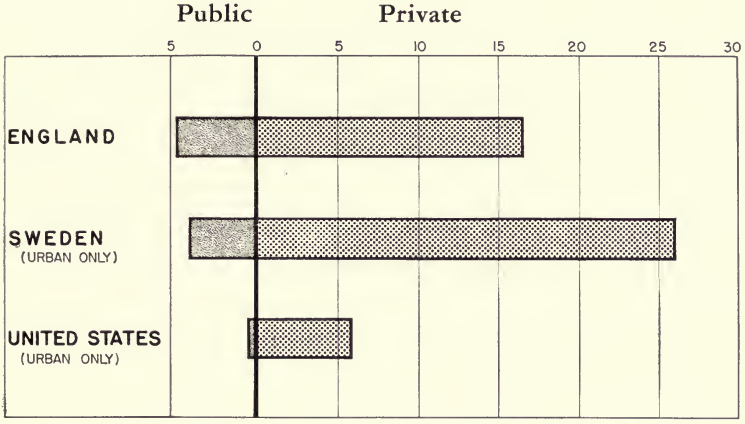
Another thing which public housing can do for the private builder is to *raise the standard of demand.* There are today thousands of middle income families living in homes which, although decent by contrast with the slums, are inconvenient, inadequate, and out of date. As families living in the slums are gradually moved into modern dwellings these other families will look to private builders to build even better homes for them.

An editorial in the Asheville "Citizen" on August 11, 1938, represented the weight of informed opinion when it said:

"Although the USHA's activities are not designed to enter the field of private building, it is expected that they will stimulate private building on a large scale. Such, it is pointed out, was the experience of Great Britain, where a governmental rehousing program led the way for one three times as large by private builders."

The conservative truth of this assertion is illustrated by the chart. In England today more than one-fifth of all families live in homes built since 1930. Almost one-fourth of this number live in public housing projects put up by local authorities with Government aid. Meanwhile, ordinary private enterprise has been building homes at three times the rate achieved in the United States. In Sweden 30 percent of all urban families live in new homes as compared with 6 percent in the United States—and the production of public and public-assisted nonprofit housing (including co-operatives) has been 20 times as great as in this country. The actual figures on which this chart is based, and the sources, are shown in the table.

DWELLINGS BUILT PER 100 FAMILIES 1930–1937



FIGURES AND SOURCES ON WHICH ABOVE DIAGRAM IS BASED

	Number of families	Total dwellings built 1930–1937		By public agencies or other nonprofit enterprise		By private enterprise	
		Number	Per 100 families	Number	Per 100 families	Number	Per 100 families
England	10,233,139	2,189,366	21.4	496,447	4.9	1,692,919	16.5
Sweden [1]	647,770	195,749	30.2	25,502	3.9	170,247	26.3
U. S.[1]	17,372,524	1,041,265	6.0	29,559	.2	1,011,706	5.8

[1] Urban families and urban homes built.

England.—"Housing, House Production, Slum Clearance, etc., England and Wales. Position at 30th of March 1938." British Ministry of Health. Number of families from 1931 Census.

Sweden.—"Federal Home Loan Bank Review," September 1936. American-Swedish News Exchange, Inc., New York. Urban households from 1930 Census.

United States.—"Monthly Labor Review," January 1938. Estimate of public housing, from Bureau of Labor Statistics, includes urban homes built or aided by Public Works Administration, Farm Security Administration, Works Progress Administration, and Alley Dwelling Authority. Urban families from 1930 Census.

In England the public housing program is of long standing. Of the 3,660,000 homes built since the War, 1,010,000 have been built and are owned and operated by the municipalities, which receive loans and annual grants from the Government under a system similar to the USHA plan. Public housing is partly credited with the fact that England never reached as low a bottom in the depression as the United States.

The *private owner of land, either vacant or developed*, is another person who shares the advantages of public housing. Under the present program, about $133,000,000 will be spent for land and for buildings to be demolished, with the fair market price being paid in every case. In addition, slum clearance and attractive neighborhood improvements will arrest "blight" and falling property values in surrounding sections. Adjacent vacant land will almost certainly rise in value and salability.

The Akron Times Press said on August 9, 1938:

"*If the housing development would destroy property values in East Akron, it would be the first time that such a condition has resulted. The opposite usually happens. These well planned and well built Government houses tend to boost rather than lower property values.*"

This thought has been reechoed throughout the country.

What about the *owners of rental homes and apartment houses* which are not to be purchased for slum clearance? Will they suffer from competition? No owner of property which is safe and sanitary can possibly be injured, for as has been shown in detail only families now living in unsafe or insanitary housing are eligible to live in a project assisted by the USHA. As for the owners of substandard dwellings, it would be sad indeed if the economic welfare of our country depended on the perpetuation of the slums. Few owners of slums can be held personally responsible for the conditions which have developed, but no attack on the housing problem can be successful—either public or private—unless it gradually makes the ownership of anti-social housing unprofitable.

The *private investor* also has a big stake in American homes. He holds the mortgages, and when properties decline in value as they did during the

depression, foreclosures make him a big property owner. An increasing number of bankers have come to believe that fair property values will be restored by the reconstruction of the slums and the revitalization of "dead" areas.

Even bankers can make mistakes by concentrating their attention too greatly on the preservation of the figures written down on pieces of paper in their vaults. Bankers need *new* fields for sound investment. Public housing offers them just that, and they have not been slow to seize the opportunity. More and more private capital is showing an eagerness to participate in the financing of low-rent housing projects.

The *merchant* is the final major representative of "private enterprise" who benefits by housing. Wages paid to building and material workers, otherwise unemployed, rapidly find their way into grocery stores, clothing shops, and every kind of retail trade. Besides, a serious housing shortage hurts the merchant, by raising the share of family income that must be paid for rent and thus reducing the consumption of other goods.

In short, except for the very limited interests which cannot thrive without maintaining the slums, every legitimate private enterprise benefits by public housing.

Public housing is a wise investment for the taxpayers.

The USHA plan established by Congress has been fully explained in Part II. The main feature of this plan is the annual contribution system, in the form of cash from the USHA and tax exemption or its equivalent from the localities. If these contributions were not made, the rents would be far out of reach of families living in the slums and the whole

There really should be some building in the near future.

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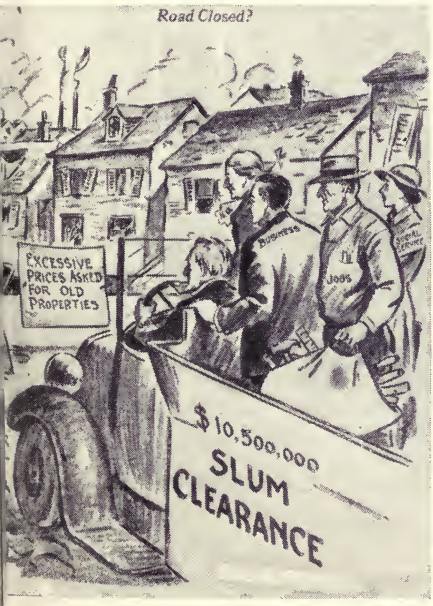

NEW ORLEANS TIMES PICAYUNE

WASHINGTON POST

purpose of the program, including the avoidance of competition with private enterprise, would be defeated. These annual contributions, therefore, are the price we must pay if we want public housing and slum clearance. No one can pass judgment upon this price without bearing in mind the cost of the only alternative—*no public housing or slum clearance at all.*

Some of the costs of *not* doing public housing, to the Federal Government, the cities, and private industry, have been indicated in Parts I and III. These costs have been portrayed in terms of the disease and debilitation which increase public health services; the crime and delinquency which raise the cost of maintaining law and order; the depressed demand for housing materials and equipment which paralyzes the building industry and affects all business adversely; the destruction of property values by the spread of blight; and the unemployment which results in a heavy burden of expense for relief.

Nevertheless it is not enough to state the negative side alone. Every taxpayer has a legitimate interest in knowing as nearly as possible the present and the prospective cost of a public housing program.

What will housing cost your city?

The cost to American cities of acquiring almost a billion dollars worth of decent low rent housing under the present USHA program will be very small indeed. All they need to do is to provide tax exemption or its equivalent for the projects to be built.

In calculating this cost, it is a serious mistake to assume that a figure representing the normal tax rate on these *new projects* reflects the actual loss of revenue sustained by a city when it exempts them from taxation. Taxes, no matter how they may be levied or

collected, are paid by *people*, not by buildings.[1] In a public housing program, a certain number of families move out of slums into decent new homes. Either the slums they were living in or an equivalent number of substandard dwellings are demolished. From a local fiscal point of view, in order to determine the cost of the new housing to the city, the real question is: What taxes were *these families* paying before, when they lived in the slums?

To take a concrete example, let us assume a $2,000,000 project to rehouse 400 families in a city of 200,000 population. Full taxes on this project would amount to about $40,000 a year (at a conservative 2 percent rate, with assessed valuation equal to 100 percent of full valuation), or about $100 per family. But a study of taxation in slum areas in cities of various sizes shows that taxes actually levied on the former slum homes of these 400 families probably did not exceed $40 per family per year, based upon an

[1] There are certain arguments advanced against tax exemption as the ideal *form* of local subsidy to housing. In England full taxes are paid on housing projects, and the local authorities make their annual contributions in clear-cut outright cash. In England, however, taxes are levied on *rents*, not on capital value—which means that low income families by and large pay no more taxes whether they live in a modern housing project or a slum home. Taxes in England directly reflect the capacity to pay.

In America, on the other hand, if full taxes were levied on a public housing project based on its presumed (although nonexistent) "market value" as a commercial project, the slum families' tax bill would be *trebled* in many cases. Taxes alone would take the whole sum this family could afford to pay out in rent, and the effectiveness of the USHA contribution toward lowering rents would be nullified. For this reason, tax exemption becomes a necessity if low rents are to be achieved. Of course, it would theoretically be possible to collect full taxes and then return an equal amount to the project in the form of cash contributions. But this round-about method for accomplishing the same result would run into insuperable fiscal and constitutional-debt limit problems in the localities—unless we are to wait for public housing until our local systems of taxation are thoroughly revised.

average assessment of $2,000 for slum homes, and a large proportion of even this amount was undoubtedly delinquent. Thus the actual loss of revenue to the city when it exempts the new project from taxation is not $40,000, but less than $16,000.

If the value of all the property in the city is assumed to be about $400,000,000 (at $2,000 per capita), the total property tax levy for the whole city would amount to $8,000,000 a year. Exemption of the 400 rehoused families of very low income from taxation would thus deprive the city of only *0.002* of its annual tax revenue. Furthermore, even this small theoretical loss is offset by the saving in municipal services due to the elimination of several blocks of slum homes, and by the benefits derived from the investment of $2,000,000 in an enduring public improvement.

But, it may honestly be argued, however little the cost may be, 400 new homes will not go very far toward solving the housing problem of a city of 200,000 people. *What will it cost to do the whole job?*

In a number of cities in England, Holland, and the Scandinavian countries, more than one family in five is living in a housing project owned and operated by the municipality with government aid. If the American city of 200,000 people decides to undertake a similar program to rehouse 20 percent of its population in 10 years, what will be the cost to the taxpayers of the city?

Of 50,000 families living in the city, 10,000 low income families now occupying slums will be rehoused by public initiative. In order to achieve rents within their reach, the 10,000 new homes will have to be exempt from taxes. This seems like a large order, but how will it actually look on the municipal balance sheet?

Again using the figure of $40 as an approximation of the average property tax charged annually to these 10,000 families living in the slums, the removal of these slums from the tax rolls and the substitution of tax exempt public housing would cut off only about 5 percent of the city's total property tax levy of $8,000,000. Therefore, even without any allowance for the general civic prosperity and tangible municipal savings which would result, and assuming that full taxes are ordinarily collected in the slums,* the removal of all these families from the tax rolls would only raise the present 2 *percent tax to* 2.1 *percent.*

The benefits which would result from such a bold and comprehensive program are easier to forecast than those flowing from one small project for 400 families. These minimum benefits make the maximum estimates of cost to the city shrink into insignificance.

Look at your own city map again. Imagine all the worst homes in your city cleared away. Imagine about half of these rotten slum districts reconstructed in new well-planned housing projects for former inhabitants of the slums, with the remainder of the cleared space devoted to parks and new private building. Adjacent areas have taken on new life. Rundown neighborhoods are "coming back."

On the outskirts are a number of complete new neighborhoods, where live other families who formerly occupied crowded substandard homes. Simple but neat, with well planned open spaces and fresh

*The average delinquency on the sites for 28 slum clearance projects for which loan contracts have been signed with 22 cities amounts to about 5 percent of the assessed valuation of the properties. This is probably the equivalent of well over 2 years of unpaid taxes. It should also be noted that purchase of the property by the local housing authority necessarily means full payment of back taxes by the former owner.

architectural aspect, they have none of the ragged wasteful look of a typical suburban development. A large amount of private building has been stimulated in their environs.

Look closer. See the healthy children—in wading pools and nursery schools—who would otherwise have been playing in dirty alleys or dangerous streets. See the mothers, enjoying pleasant efficient housekeeping instead of the fruitless drudgery of the slums.

Would the cost be too high, even if it did add *one-tenth of one percent* to the tax rate?

And consider the certainty that the effects of the housing program will tend to *reduce* rather than increase the tax rate.

To revert to the example, the construction of 10,000 new homes in the city of 200,000 people would put into circulation directly about $50,000,000, or about $5,000,000 a year during the 10 year building program. A rough division on an annual basis would be as follows: $1,000,000 for land; $2,000,000 for wages on the site; and $2,000,000 for materials. The first two items and a large part of the third—or a total of perhaps $4,500,000—would be spent directly in the city, in cash. Down will go the cost of city relief, for at least 2,000 men would be steadily at work who would otherwise have been unemployed. Down will go the heavy cost of tending slum areas. If even a part of the *extra* municipal services now provided for the inhabitants of the slums were cut out, the result would be profit and not loss on the local government's ledger.

And up will go municipal revenues. For increasing business activity and general prosperity mean more tax collections without higher tax rates.

What does the housing program cost the Federal Government?

As far as the current program is concerned, it has been shown in Part II that the whole original $800,000,000 invested by the USHA in slum clearance and low-rent housing projects will be repaid in full with interest. The *only* cost to the taxpayer will be the annual contributions paid to bring decent homes within the reach of families living in the slums. These contributions, under the present Act, cannot extend beyond $28,000,000 per year. This is only about one one-hundredth of the annual cost of National defense.

This very low rate of expenditure will increase in the future, if Congress so wills, as the program gains momentum and shifts from its early stages to the big task of rehousing all of those who live in the slums. But history has repeatedly demonstrated that healthy countries like the United States are able to take major reforms and vast new public responsibilities in their stride without economic strain, once the undertaking has been proved to be worth while.

Today no one believes that subsidies for education are undermining the financial strength of the Nation, though in an earlier day the air was filled with just such prophesies. No one today calls it unwise or unsound to tax the whole community in order to keep part of the community in school, though just that charge was common when public schooling was in its infancy. A standard of literacy and education has been accepted, and the cost of maintaining that standard is chargeable to the national welfare.

In the year 1935–36 total Federal, State, and local expenditures for the administration and construction of schools amounted to $2,396,501,893, or about $90 per pupil. This means that a family with two or

three children attending school receives "an annual contribution," if one wants to call it that, averaging about $200. This sum in most cases greatly exceeds the total tax payments of the family for all public services. It would exceed the entire annual contribution needed to enable a family to live in a decent home instead of a slum.

From 1929 through 1936 the total State and Federal subsidies for roads and highway maintenance reached $12,000,000,000, or an average of $1,500,000,000 a year. This is far more than the total annual contributions needed from both Federal and local governments to rehouse 20 percent of the population in decent homes, and thereby actually "solve" the American housing problem. And yet, who would claim that our highway system has been other than a prudent and economical measure in the best interests of the national welfare?

Today, by action of the United States Congress, decent housing no less than sound education and efficient communication has been recognized as an essential part of the American standard of living.

An editorial in the Birmingham News expresses the ideal behind this action in the following words:

"*Now that man has the resources and the machinery to supply a decent standard of living for all—in food, shelter, health—no government will be able to stand that does not make earnest and fairly successful efforts to make the opportunity for this minimum abundance available to its citizens. These efforts, far from necessarily killing free government, could be the greatest means of strengthening it.*"

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